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February 4, 2016

Mr. Gerard Poliquin
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Comments on Comments on Notice of Proposed Rulemaking Regarding Field of Membership and Chartering

Dear Mr. Poliquin:

On behalf of Citadel Federal Credit Union, I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule amending the Chartering and Field of Membership (FOM) Manual, incorporated as Appendix B to part 701. We appreciate NCUA's initiative in this rulemaking, which will provide meaningful regulatory relief to credit unions and we welcome the opportunity to provide comments on this proposal. The credit union industry has long advocated for FOM reform, and we appreciate the NCUA Board's support for modernizing the agency's FOM regulations for the first time in fifteen years.

As times change, NCUA's FOM Rule and Regulations seem to unnecessarily inhibit our ability to serve our communities and other consumers who want and need quality and affordable financial services. While we acknowledge that legislation is necessary to resolve certain limitations of FOM rules, we support NCUA's attempt at regulatory relief by streamlining its chartering and FOM procedures, as well as removing many non-statutory constraints on FOM chartering and expansion.

Citadel Federal Credit Union is a community chartered credit union based in Chester County, Pennsylvania. We can service members who live, work or worship in Philadelphia, Bucks, Montgomery, Delaware and Chester counties (the "greater Philadelphia" area). Our main concentration is currently in Chester and Delaware counties, with growth in Montgomery and Bucks. We have no offices in Philadelphia.

Citadel feels that the changes to the FOM rules, under the proposal, will allow us, and other federal credit unions to better define and serve our community, providing them with the products and services that only a credit union can. While all of the proposed changes may not directly have an effect on Citadel, we do feel tht they are an important step in the right direction.

There are several key provisions of the amendments, which we feel merit some additional comment.



- Federal credit unions will be able to expand an existing community charter without having to serve the core area if electing to serve a portion of a Core Based Statistical Area. This will allow a federal credit union to grow at an appropriate scale consistent with its ability to serve a larger area.
- Tailor application of population cap to the portion of the area that the credit union seeks to serve when determining if the area exceeds the 2.5 million population limit, as opposed to the current practice of considering the whole population
- Allow Combined Statistical Areas (CSAs) designated by the Office of Management and Budget (OMB) to count as a "well-defined, local community."
- Recognize congressional districts as a Single Political Jurisdiction.

We support NCUA's initiative in this rulemaking to allow a credit union to serve a portion of a CBSA, without having to serve its core. The credit union can tailor the population cap's application to the area the credit union intends to serve, rather than the entire CBSA. Under the current rule, credit unions often suffer the unintended consequence of being denied a portion of a CBSA because the entire population of the CBSA is above the cap. Community charter requests may be denied because "the population of the whole [statistical area] exceed[s] the cap" even though the area requested is under the limit. This trend clearly illustrates that the current rule is an unnecessarily broad application of the population cap. Credit unions believe that a change is necessary to more accurately analyze the population of the area that a credit union seeks to serve.

While we are supportive of the proposal's effort to tailor the application of the CBSA population cap, we highly encourage the NCUA to consider a substantial increase in the 2.5 million population limit. The Federal Credit Union Act does not require strict population limits, core areas, or geographical boundaries in establishing a "well defined, local community." A proposed area should not be disqualified as a "well defined, local community" simply because it exceeds a particular population size. The population cap was added at the discretion of NCUA in 2010, based on a belief that it becomes more difficult to demonstrate common interaction indicative of a community as population levels increase. On the contrary, there are many areas of the country that demonstrate levels of common interaction indicative of a community but are automatically disqualified due to the use of an untenable population limit.

Navy Federal Credit Union has over 5 million members. Granted, although they are not a community chartered federal credit union, it does demonstrate that if a credit union can effectively serve a large membership base, it should be allowed to do so. An arbitrary cap of 2.5 million people can stifle a community chartered federal credit union's ability to effectively serve all of the potential members within a distinct geographic region.

The proposal would also permit the addition of adjacent areas to a community consisting of a Single Political Jurisdiction, CBSA, CSA, or rural district, upon a showing by subjective evidence that residents on both sides of the perimeter interact or share common interests. The proposal would require a credit union show common interests among residents of the expanded community and an ability and commitment to serve the entire expanded community. The NCUA will base its decisions, subjectively, on a number of factors with respect to the proposed service area in its entirety, such as economic interconnectedness and government designations, while still adhering to the proposed population limits for community charters of 2.5 million.

Citadel supports this aspect of the proposal (with a nod to increasing the cap) because it will allow credit unions to add adjacent communities without dropping existing communities. The current rules inhibit a federal credit union's ability to add adjacent political jurisdictions without discontinuing service to some of the communities it currently serves. Community charters, especially those that serve small metropolitan statistical areas, are unjustly limited in their ability to grow under the current rules, and this proposal will allow them to expand into adjacent counties within the confines of the Federal Credit Union Act.

There are two issues that are addressed, in part, in the proposal, however much is still left to interpretation. When the NCUA finalizes the rule, we hope that the following will be explained more fully:

- Can community chartered credit unions expand their charter across state lines? What is the means to do this and under what criteria would such an expansion be approved?
- Provide clarification on how and when an additional area can be added to a charter without having to "justify" an entire new charter for the credit union.

Thank you very much for the opportunity to comment on this proposed regulation. I applaud the agency's willingness to amend the Chartering and FOM Manual to provide much-needed relief for the credit union industry. While I strongly support the entire proposal, we encourage the agency to consider the recommendations outlined above, as we believe these suggestions will meet the needs for credit unions, such as Citadel. If we can be a source of any further information on this comment letter, please do not hesitate to contact either of us at mitchellklein@citadelbanking.com or edmaier@citadelbanking.com.

Very truly yours,



Citadel Federal Credit Union
Mitchell Klein, Chief Risk Officer
Edward Maier, Chief Lending Officer